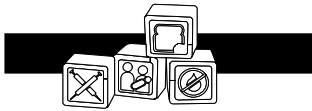




SECTION 4

Decision Packages

4.1 What is a decision package?



What is a decision package?

Decision packages are a key set of building blocks for constructing the budget request. The decision package is the place for the agency to make a persuasive case regarding the proposed change.

Decision packages organize and describe proposed cost changes in a way that highlights the budget decisions. The decision package consolidates the financial information, the supporting justification, and the statement of impact for a specific action or policy proposed for implementation in the budget. One decision package describes a proposed item of change listed on the Recommendation Summary.

The Budget Development System (BDS) assists agencies in developing all components of budget decision packages. It also automatically displays the expenditure, revenue, and FTE detail that agencies enter into the system rolled-up to the selected level (agency or program) for the decision package report.

When is a decision package needed?



Decision packages are required for all incremental changes to the current biennium budget except for changes for OASI, pension rates, inflation, and revolving fund charges.

Decision packages should be prepared at the required budget level (agency level except for those agencies listed in Section 1.3), but should always describe which programs and activities are affected by the request.

Decision packages should represent significant, discrete decisions



Each decision package will appear as one line with a **positive or negative** amount on the Recommendation Summary and should represent a significant, discrete budget decision. Craft your decision packages so that they group related items, but do not obscure or combine separate decisions.

The budget decision hinges on the stated performance objective being addressed.

Example: Seven new driver's license examining stations are proposed to expand geographic coverage for an existing service and to reduce waiting time for clients. The location of the examining stations or the objects of expenditure affected are necessary components of the supporting detail; but they are not separate budget decisions. In this case, the agency would submit one decision package.

Please contact your OFM budget analyst if you have questions about how best to organize budget requests into decision packages.

4.2 The required elements of the decision package

The decision package has required elements

The required decision package elements serve as a checklist for the key information OFM needs to analyze the request. We expect that actual justification materials will vary in length and complexity, depending on the nature of the decision package being proposed. The Budget Development System facilitates the entry of all the required components.

The following are the required elements of the decision package.

Decision Package (RecSum) Code

Decision packages are identified with unique, two-digit RecSum codes (called decision package codes in BDS). The BDS will list the allowable codes from which agencies may choose. Sections 5 and 6 also note OFM-designated codes that must be used for certain types of maintenance and performance level changes.

List decision packages in priority order

List decision packages in priority order on the Decision Package Summary. The BDS allows agencies to reprioritize decision packages once their budget development is complete.

Decision package title

The title should be short and descriptive, limited to 35 characters. This title will appear on the Recommendation Summary report. The system also offers the option of entering a longer, more descriptive title for other purposes.

**Agency
Recommendation
Summary Text**

Each decision package should have a brief description of its purpose, written in complete sentences. This text will be loaded into the OFM WinSum budget system and will serve as the starting point for OFM text that describes items funded in the Governor's budget.

This text is used to communicate what is being funded for each discrete budget addition. Please write the decision package text with this in mind. The text should clearly and concisely state the problem, indicate what is being done to address it, and justify the need. Strive for succinct, precise, and non-technical text. The text should avoid jargon and acronyms and be clear to an audience that isn't necessarily expert on the issue. We suggest agencies limit this text to about 100 words.

We urge agencies to look at examples in the last budget for guidance on the kind of summary information we are looking for. The link below will take you to the Recommendation Summaries published for the 2001-03 budget proposal.

<http://www.ofm.wa.gov/budget01/recsum/contents.htm>

Fiscal Detail

The BDS automatically displays the operating expenditures by account, the staffing detail by FTEs, and the revenue detail by account that agencies have entered into the system for each decision package. The BDS provides the option of printing the fiscal detail at the agency level or with program detail (required for those agencies appropriated by program listed in Section 1.3).

Description



Briefly describe existing activities as they function at the current budgeted level. This may include references to workload, eligibility standards, delivery system, staffing, etc. Describe the problem that is being addressed, the nature of the change, and **which activities—as defined in the Agency Activity Inventory—are affected and how**. The description should also include a proposed implementation schedule to be followed if the item is funded.

**Narrative justification
and impact statement**

The core of the decision package is the justification for the change being requested and a statement of its effect on agency strategies and operations. The BDS is structured to elicit information for each of the following elements of the decision package.

- **How this decision package contributes to the agency's strategic plan.**

- Identify the measures—output, outcome, and/or efficiency (agencies will not necessarily submit all three types of measures for each decision package)—that will be affected by the decision package, and identify the incremental change in annual performance targets for each measure for each applicable fiscal year if the decision package is enacted. If you do not include this information, expect your OFM analyst to ask why the agency does not expect a change in performance as a result of a funding change. The BDS provides for easy linkage to the Performance Measure Tracking and Estimate System (PMTES) to identify goals supported and record performance measure incremental impacts for each decision package.

Refer to Section 9 for more information about this and producing the Agency Performance Measure Estimates report (B11).

- **The reason for the change.** What is the problem that is being addressed?
- **The impact of the change on agency clients and services.** What levels of service are provided today and at what cost and staffing level? How will existing services be altered by the change in funding? Will additional resources increase efficiency, respond to additional workload, expand eligibility, or enhance services?
- **The impact on other state programs or other units of government.** Describe whether a decision package item alters costs, workload, operations, or revenues in another agency program, another agency, or another unit of local or federal government.
- **The relationship, if any, to the state's capital budget.** If the decision package item requires new space, alterations to existing space, or increased maintenance, the additional demands should be described. Also note if the proposal reduces facility requirements. If an agency capital budget request supports the decision package, it should be referenced by the same project title, number, cost, and fund source in both places.
- **Revisions required in an existing statute, Washington Administrative Code (WAC), contract, or state plan** in order to implement the change.

- **A discussion of alternatives explored by the agency**, including the pros and cons of the alternatives, why they were not selected, and why the recommended alternative was chosen. In addition to other budget alternatives considered but not selected, the agency should present information on the following non-budgetary alternatives to the proposed budget change:
 - Best practices or process improvement/reengineering efforts undertaken to improve the efficiency and effectiveness of the process affected by this budget change. If not undertaken, why not.
 - In December of 2001, OFM and the departments of General Administration, Information Services, and Personnel published a list of “Best Practices” (on the Internet at <http://www.wa.gov/dis/bestpractices>)—opportunities for agencies to streamline their administrative processes.
 - Although the Best Practices are not mandatory, agencies are expected to demonstrate a good faith effort to adopt those practices that fit their business operations. For agencies seeking budget enhancements during the budget preparation process, OFM will be asking about progress in implementing Best Practices before requests to fund other administrative improvements will be considered.
 - Regulatory or statutory changes pursued in order to simplify, reduce, and streamline requirements that must be fulfilled by the agency process(es) affected by this budget change. If not undertaken, why not.
 - Resource redeployment options undertaken to maximize the efficiency of existing agency financial, staffing, capital, or technology resources devoted to the problem this budget change is designed to address. If not undertaken, why not.
- **Budget impacts in future biennia.** Discuss effects on expenditures, FTEs, fund sources, and revenue.
- **A distinction between one-time and ongoing functions and costs.** Please describe and include the dollar amount, how much of the request is necessary to cover one-time funding (such as for equipment or a study).
- **Effects of non-funding.** Please describe the consequences to stakeholders and client-groups of not funding the decision package as requested.

- **Expenditure and revenue calculations and assumptions.**
Agencies should display the calculations (e.g., unit costs and formulas) used to arrive at expenditure, revenue, and workload estimates connected with the decision package. Clearly identify the factual basis of any policy or workload assumptions and how the cost estimates are derived from these assumptions.

If a new fee or fee increase is proposed, please include the following information:

- Fee title
- Description of fee change
- Rationale for fee increase
- Dollar amount of fee change or change in rate
- Affected stakeholders
- Note whether legislation is required
- Note whether the fee increase is above the fiscal growth factor (refer to Part 1, Section 1.2)

Objects of expenditure

Objects of Expenditure. This portion of the report is automatically inserted into the decision package from the Object Detail worksheet created by the agency in the BDS. While the agency's base budget is not required to be submitted by object, OFM analysts do find it very helpful to understand how the new funding requested in the decision package will be used.

See the Decision Package Example in Appendix A-2

We have included a model decision package example in Appendix A-2 to show the level of information and support we expect to see in decision packages.

Appendix A-5 provides a guide for developing cost estimates

Appendix A-5 provides a guide for developing cost estimates in the budget. It offers both helpful hints and expectations for cost estimating techniques.

Other guides for developing good decision packages

Refer to Section 10 for a checklist to help ensure that decision packages are consistent with information being proposed in the agency's capital budget.

Refer to Section 11 for information on information technology portfolios and the required additional information elements that must be included in relevant decision packages.



Refer to Section 12 for the required information to include in self-insurance premium decision packages.

The Part 1 instructions provide information on how the decision package information should be linked to the agency's strategic plan and performance measures.

How OFM will use the activity inventory, strategic plan, and performance measure information in analyzing decision packages

As part of the budget recommendation process, OFM will be considering whether the activity inventory, the strategic plan, the decision package, and the performance measures make the business case for any requested financial change. Agencies should make sure that the decision package submittal helps answer the following questions:

- What changes in external environment, customer characteristics, internal capacity, or risks are driving this request? Has the agency clearly, explicitly, and with supporting data shown that a problem exists that needs solving?
- What policy issues or decisions are driving the request?
- How does the proposal link to the strategic plan, the Governor's priorities, and other relevant policy direction? Does it make sense in the context of the strategic plan, the balanced scorecard, and performance measures?
- What is the priority of this proposed change compared to other proposals? Compared to existing activities funded in the base budget? What are the policy tradeoffs implied by this prioritization?
- How will this proposal affect other programs, agencies, and major partners? Have they been involved in the development of this proposal?
- How does this proposal affect or relate to the agency's or Governor's request legislation?
- What data can the agency supply to show that the proposed solution will be effective? Can it be tracked as a performance measure?

- Does the projected performance return for this proposed investment seem feasible and does it seem compelling?
- How will this proposal enhance agency efficiency?
- Why this option and not others? What evaluation process led to this solution?
- If not funded, would you decide not to proceed or would you reprogram other resources?
- Why is this change presented as an incremental increase instead of a reprioritization within the base?

Agencies should be prepared to answer these questions about agency management practices



Recently the Governor signed the 2002 supplemental budget, which addressed a \$1.5 billion budget shortfall. Early forecasts for the next biennium indicate that we will likely face a significant budget gap once more. The budget development process for the 2003-05 Biennium will need to refocus and reshape state government to fit within financial constraints. The Governor wishes to concentrate on core government functions and to ensure that those functions are performed as efficiently as possible.

Agencies should be prepared to answer the following questions from their OFM budget analysts about the agency's management practices. This information should be incorporated into the budget materials wherever appropriate.

- What steps have you taken to implement the agency best practices recommended by Governor Locke in December 2001? (Best practices can be viewed on the Internet at <http://www.wa.gov/dis/bestpractices/>.)
- In what ways have you focused your agency-wide quality improvement, process improvement, and regulatory improvement efforts to reduce unnecessary or low-value expenditures?
- What steps have you taken to review and prioritize all agency programs and business lines, with an eye toward redirecting resources from lower-value activities to core, mission-focused activities?
- What consideration have you given to revisiting statutes that require low-value activities, or require that your activities be implemented in ways that add cost but do not provide measurable benefits?

- What steps have you taken to re-examine agency assumptions regarding desired staffing models, technology infrastructure, and capital assets? Are the current approaches still necessary, or is it possible to make changes that lower cost without sacrificing quality, productivity, or high-level results?
- To what extent have you partnered with other agencies or other units of government (state, local, or federal), to reduce duplication of effort and promote financial cooperation? Examples include co-location of field offices with those of other agencies in order to share support staff or other costs.

Avoid these common errors

- Remember to shift ongoing unanticipated receipts appropriation type coding in the ensuing biennium from type "3" or "9" to a type "2" or "7" in carry-forward level.
- Remember to merge allocation accounts 406 and 427 into regular account sources.
- Avoid creating decision packages that are too broad or too narrow. Broad categories like "increases in mandatory costs" do not show what types of expenses have increased. However, an item like "increased lease costs in the Selah office" is too narrow if there are similar lease increases in several offices.
- Remember to list decision packages in priority order on the decision package summary. The BDS is designed to assist an agency in reordering the priority of decision packages as the agency develops its budget.